



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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### Uncompassionate Cuts for Low-Income American Families

In his campaign, President Bush promised the American people a country of compassionate conservatism, a country in which no child is left behind. He pledged that “[a]s President, I will be committed to the advancement of all Americans, including those who struggle.” Yet the President’s budget proposes an altogether different reality, one in which key services for those who struggle are sacrificed to finance an oversized tax cut skewed toward the wealthiest Americans.

The detailed budget released April 9 makes clear that “conservative” is more important than “compassionate” in the President’s priorities. In fact, the budget for 2002 makes over \$2.9 billion in cuts below the 2001 freeze level to programs primarily designed to help low-income Americans.

“As President, I will be committed to the advancement of all Americans, including those who struggle.”  
— George W. Bush, April 11, 2000.

Several programs, such as Public Housing Drug Elimination Grants and the health care Community Access Program, are eliminated entirely, and others face significant cuts below a freeze at the 2001 level. For example, public housing repairs are cut by 23.4 percent, Community Development Block Grants are cut by 8.1 percent, and job training programs are cut by 9.5 percent.

This report first details some of the cuts that the President’s budget makes in safety net programs for economically vulnerable families and children. Next, this report uncovers some of the cuts to investments that prepare all Americans — especially those with low-incomes — to participate in our nation’s prosperity. Finally, the report makes clear that these cuts to programs for the economically vulnerable are used to pay for a tax cut that is dramatically tilted in favor of the most economically secure.

## Bush Budget Cuts Safety Net For Families and Children

### Low-Income Housing Assistance

According to the Administration, 4.9 million low-income families have worst-case housing needs, paying over half of their incomes toward rent or living in severely substandard conditions. The budget makes dramatic cuts in housing assistance programs serving the poorest families.

! **Public Housing** — The budget cuts over \$1 billion from core building repair and anti-drug programs, undermining bipartisan Congressional efforts to ensure the vitality of public housing communities and the safety of the families living there. While the budget touts a \$150 million increase in one public housing grant program (the Operating Fund), this increase is more than offset by the deep cuts in other funding sources. Cuts include:

- **Public Housing Drug Elimination Grants** — The Administration terminates the \$309 million Public Housing Drug Elimination Grant program for anti-crime and anti-drug, law enforcement, and security activities in public housing communities.
- **Public Housing Capital Fund** — The budget cuts the Public Housing Capital Fund, which provides for critical building repairs, by \$700 million (23.4 percent) compared with the 2001 freeze level. A recent Department of Housing and Urban Development assessment found \$22.5 billion in unmet capital repair needs in public housing in 1998, and concluded that an additional \$2.1 billion in repair needs accrue each year. Over ten years, the Administration reduces capital repair funds for families in public housing by \$8.2 billion compared with its own estimate of the amounts necessary to maintain the level of services provided in 2001.

! **Rural Housing and Economic Development** — This \$25 million program encourages new and innovative approaches to serve the housing and economic development needs of rural populations through grants to local community-based organizations. The budget eliminates this program for

#### Selected Cuts to Safety Net Programs

<u>Program</u>	<u>Cut</u>
Community Health Care Access	ELIMINATED
Community Services Programs	\$28 million
Public Housing Anti-Drug Program	ELIMINATED
Public Housing Repairs	\$700 million
Rural Housing Program	ELIMINATED
Seniors' Programs	\$5 million
Social Services Block Grant	\$25 million
TANF Contingency Fund	ELIMINATED
TANF Supplemental Grants	ELIMINATED
All figures are cuts below a freeze at the 2001 level	

2001, citing duplication with the Community Development Block Grant (CDBG) and other rural housing and development assistance programs — which it also cuts.

- ! ***HOME Investment Partnership Program (HOME)*** — The budget freezes HOME funding at the 2001 level of \$1.8 billion, then further erodes its impact by carving out \$200 million for the Administration's new housing initiative, the American Dream Downpayment Assistance Program. State and local governments use the flexible HOME program to build and rehabilitate affordable housing for very low-income home buyers and renters.

## **Welfare and Other Social Service Programs for Vulnerable Families**

Federal social service programs provide a safety net for our most vulnerable neighbors. These programs help those who can work to do so and provide important services for the disabled, seniors, and children.

- ! ***Temporary Assistance for Needy Families (TANF)*** — The President's budget reduces TANF funding available for child care and other assistance for low-income families. TANF is the nation's primary welfare program, providing cash assistance, case management, welfare-to-work and other critical assistance to needy families with children in their efforts to find work or remain employed. TANF funds have become a particularly important source of child care funding for low-income families. In 1999, states devoted \$3 billion of their federal TANF funds to child care. Cuts to TANF funding include:
  - ***Eliminating \$319 million in TANF Supplemental Grants*** — The budget fails to renew Supplemental Grants, which provide additional funds to qualifying states with fast-growing populations and low per capita welfare spending under the standard TANF grant formula. The \$319 million in Supplemental Grants provided for 2001 comprised nine to ten percent of total TANF funds in all but three of the 17 qualifying states. In a February 2001 letter to President Bush, the National Governors' Association, on a bipartisan basis, asserted that "cuts of this magnitude would have a significant effect on continued state implementation of welfare reform." These cuts fall most heavily on poor states: the child poverty rate in qualifying states was 19.5 percent in 1999 — 25 percent higher than the child poverty rate in other states.
  - ***Eliminating the States' Safety Net*** — Despite increased evidence of state budget shortfalls, the budget fails to extend TANF Contingency Fund grants, which expire in 2001. Congress established the Contingency Fund to provide a safety net for states experiencing economic hardships, making up to \$2 billion available for this purpose.

- ! ***Social Services Block Grant (Title XX)*** — The budget provides \$1.7 billion for the Social Services Block Grant (SSBG) for 2002, a cut of \$25 million below a freeze at the 2001 level. The National Governors' Association has requested funding of \$2.38 billion for 2002, as originally allowed by the 1996 welfare reform legislation. SSBG provides states with flexible funds that can be used to meet their most pressing social services needs. These funds are used for services including child day care, services for the disabled, services for the elderly, employment, housing, and transportation. The cut comes at a time when numerous states are experiencing fiscal shortfalls.
- ! ***Services for Seniors*** — The budget provides \$1.1 billion for 2002 for appropriated programs in the Administration on Aging. This amount is \$5 million below a freeze at the 2001 level, and \$28 million below the level needed, according to CBO, to maintain current services.
- ! ***Community Services Programs*** — The budget cuts community services programs by \$28 million (4.1 percent) below the \$683 million provided for 2001. The budget eliminates funding for the Community Food and Nutrition program, the Rural Community Facilities program, and the National Youth Sports program.
- ! ***Community Access Program (CAP)*** — The budget eliminates the community access program for 2002, a cut of \$125 million for 2002. CAP funds grants to coordinate health care services to the under-insured and uninsured offered by community providers such as public hospitals, community health centers, and disproportionate share hospitals.

## Budget Cuts Investments in Struggling People and Communities

Ensuring that all Americans have access to the American dream requires investments in our people and our communities.

But the President's budget reduces investments in our workforce and in the economic development of our communities, and thus leaves many people behind.

### Workforce Development

Full participation in today's economy requires lifelong skill development. Yet, the President's budget cuts funding in workforce training and adult and vocational education,

#### Selected Cuts to Investments in People and Places

<u>Program</u>	<u>Cut</u>
Appalachian Commission	\$11 million
CDBG	\$411 million
CDFI Fund	\$50 million
Economic Development Admin.	\$86 million
Empowerment Zones	\$35 million
Job Training Programs	\$541 million
New Markets Venture Capital	ELIMINATED
Rural Community Advancement	\$278 million
Vocational and Adult Education	\$24 million
All figures are cuts below a freeze at the 2001 level	

programs designed, above all, to help people struggling to acquire the skills needed to support their families. These cuts come despite the fact that the economic assumptions in the President's budget envision an increase in the unemployment rate from 4.4 percent in 2001 to 4.6 percent in 2002.

- ! ***Workforce Training and Employment Programs*** — The budget provides \$5.1 billion for appropriated programs for training and employment services in the Department of Labor. This amount reflects an overall \$541 million (9.5 percent) cut below a freeze at the 2001 level for these programs. In particular, funding is cut below a freeze at the 2001 level for dislocated workers programs by \$207 million (13.0 percent), adult training by \$50 million (5.3 percent), youth activities by \$147 million (12.8 percent), and career centers by \$16 million (10.7 percent). Funding for job training for incumbent workers is eliminated entirely, and funding for a number of other job training programs fails to keep pace with inflation.
- ! ***Budget Cuts Funding for Vocational and Adult Education Programs*** — The budget reduces funding for appropriated programs for Vocational and Adult Education from the 2001 level of \$1.826 billion to \$1.802 billion. This is a cut of \$24 million below a freeze at the 2001 level, and a cut of \$41 million below the amount needed to maintain services at the current level.

### **Economic Development in Distressed Areas**

Last year brought bipartisan agreement on the need for community renewal in rural and urban places left behind by the economic prosperity of the last eight years. The President's budget reverses course dramatically in this area, cutting investments in numerous economic development programs designed to help all communities participate in our nation's prosperity.

- ! ***Empowerment Zones and New Markets Initiatives***— The budget cuts funding by \$35 million for "empowerment zones," which provide tax credits designed to attract businesses to impoverished areas. The budget also eliminates funding for the New Markets Venture Capital program, a Small Business Administration Program that provides financial assistance to small businesses in poor neighborhoods. The drive to establish the New Markets Initiative was a bipartisan effort led by Speaker Hastert and President Clinton.
- ! ***Other Community Renewal Programs*** — The budget cuts \$411 million from Community Development Block Grants (CDBG), which provide funds for programs and activities for low- and moderate-income communities. Funding is also cut below a freeze at the 2001 level for the Community Development Financial Institutions Fund (CDFI) by \$50 million and for the Economic Development Administration by \$86 million. The budget cuts funding for the Appalachian Regional Commission (ARC) by \$11 million below a freeze at the 2001 level, and cuts \$278 million from the budget of the Rural Community Advancement (RCA) program which provides grants, loans, and loan guarantees to stimulate economic growth and build facilities in rural communities.

## **Cuts to Low-Income Programs Finance Tax Cut for the Wealthy**

The President's budget cuts programs for the economically vulnerable in order to fund an oversized tax cut that clearly is tilted to favor the least economically vulnerable in our society. The share of the tax cut going to the top one percent of the income distribution exceeds the share going to the bottom 80 percent. Citizens for Tax Justice (CTJ) estimates that the top one percent, with incomes averaging more than \$900,000 per year, will get an average tax cut of \$54,480. CTJ estimates that the top one percent receives 45 percent of the tax cut's benefits even though they pay only 21 percent of federal taxes. By contrast, the bottom 80 percent gets 28 percent of the tax cut's benefits, with an average cut of \$430.

The Bush budget seems designed as if the income tax were the only federal tax. In fact, three-quarters of all taxpayers pay more payroll taxes than income taxes, and the Bush budget does nothing to address this burden. This is because the Bush tax package makes no changes to the earned income tax credit (EITC), which was originally designed in part to offset the impact of payroll taxes on low-income workers.

The Bush budget and tax package stands in contrast to widespread agreement on the value of EITC for low-income working families. Advocates for low-income families suggest that EITC should be expanded for large families and married couples and simplified to streamline complex filing rules. The Heritage Foundation proposed a five-year, \$25 billion expansion of EITC for married couples with children in its 2002 *A Budget for America*. House Republicans included a ten-year, \$12.9 billion expansion of EITC in House-passed tax legislation (H.R. 6). The House Democratic alternative to the President's 2002 tax package would have expanded EITC by \$60.8 billion over ten years, increasing the value of the credit, eliminating the EITC marriage penalty and streamlining filing rules to reduce taxpayer errors.